In the recent report by the IEA, entitled Net Zero by 2050, there are a few paragraphs and key points that are worth highlighting.

A comment on the recent report Net Zero by 2050 from IEA.

1. Our pathway calls for scaling up solar and wind rapidly this decade, reaching annual additions of 630 gigawatts (GW) of solar photovoltaics (PV) and 390 GW of wind by 2030, four times the record levels set in 2020. For solar PV, this is equivalent to installing the world’s current largest solar park roughly every day. Hydropower and nuclear, the two largest sources of low carbon electricity today, provide an essential foundation for transitions. As the electricity sector becomes cleaner, electrification emerges as a crucial economy-wide tool for reducing emissions (page 14).

   This is no small feat, but it is doable. It will however need cooperation between governments, regulatory bodies, civil society and the private sector. It also demonstrates the potential of solar and wind, and necessity of increasing investments in these areas.

2. Providing electricity to around 785 million people that have no access and clean cooking solutions to 2.6 billion people that lack those options is an integral part of our pathway. Emissions reductions have to go hand in hand with efforts to ensure energy access for all by 2030. This costs around USD 40 billion a year, equal to around 1% of average annual energy sector investment, while also bringing major co-benefits from reduced indoor air pollution (page 17).

   There are several aspects to unpack here – firstly that many people still lack access to basic infrastructure today, and that renewables represents a cost effective way of providing access to electricity. Secondly, replacing current methods of cooking and heat generation provides a tremendous improvement in health, given the local pollution caused by these sources today. The same holds true at large when replacing coal for renewables.

3. Under the Paris Agreement, Parties are required to submit Nationally Determined Contributions (NDCs) to the UNFCCC and to implement policies with the aim of achieving their stated objectives. The process is dynamic; it requires Parties to update their NDCs every five years in a progressive manner to reflect the highest possible ambition (page 31).

   A reminder that for COP 26 later this year in Glasgow, nations will revise their Nationally Determined Contributions, and were urged in Madrid for COP25 to address the gap in current commitments and agreed warming goals. We will have more ambitious goals by the end of the year – but it remains to be seen if that gap is fully addressed or only in part.

4. Cybersecurity could pose an even greater risk to electricity security as systems incorporate more digitalised monitoring and controls in a growing number of power plants, electricity network assets and storage facilities. Policy makers have a central part to play in ensuring that the cyber resilience of electricity is enhanced, and there are a number of ways in which they can pursue this (IEA, 2021c) (page 176).

   An increasing role for cybersecurity in ensuring the transition to Net Zero. We have recently seen the effects of a cyber attack on a US fuel pipeline. Electricity grids, as they become «smarter» – will need to focus on ensuring the integrity and safety of these systems.

   There is obviously more to address from the report, but the one key takeaway must be on the tremendous opportunities that lie within the transition – the massive role of renewables and electrification in ensuring a path to Net Zero.

   The report is also a reminder that the game has changed and that we need to transform fast but also a reminder that the future is bright and that a Net Zero world is a better one.
Contact details

Primary contact details
Storebrand Asset Management AS
Professor Kohts vei 9
Postboks 484,
1327 Lysaker
NORWAY

Name of contact:
Spiros Alan Stathacopoulos
Director of International Sales and Distribution
Phone: +47 951 52 291
Email: spiros.alan@storebrand.no

Philip Svendsen
Associate International Business Development
Phone: +47 468 19 289
Email: philip.svendsen@storebrand.no

www.storebrandfunds.com

IMPORTANT INFORMATION
This report is intended for investment professionals only. The content is not to be viewed by or used with retail investors. Except otherwise stated, the source of all information is STOREBRAND ASA as at 15.05.21. This document is neither an offer to sell nor a solicitation of any offer to buy any financial instruments in any fund or vehicles managed by Storebrand ASA. This document is not an advertisement and is not intended for public use or distribution.